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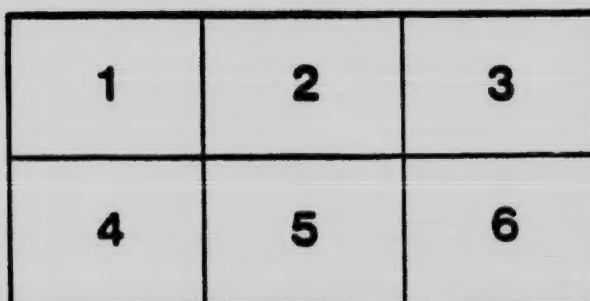
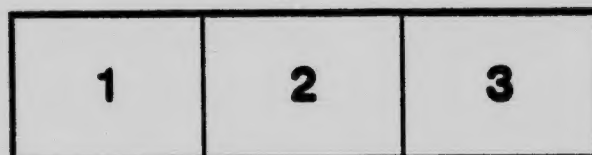
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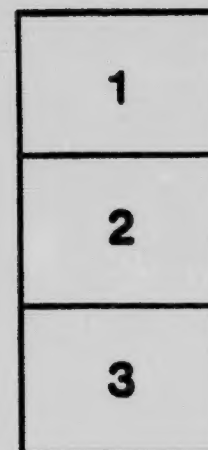
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ON TORONTO'S NEED OF REFORM

PREFACE

CONTINUED requests for my recent open letters on Toronto's finances have led me to put the three letters together under a single cover and add a preface. Evidently the citizens are taking more and more note of their taxes; and they are not unmindful of the outlook for the next year or so when the assessment total may fall.

A movement to inject fresh blood into the Council is now being made. The absence of so many from municipal service is probably a large measure due to the realization that the Alderman who does anything usually has to follow a lonely furrow. There is no effective co-operation. For any proposition advanced the individual must stand sponsor. The winds of criticism blow strong, and the newspapers are hot on his trail. Even the city's executive is a divided body and there is little solidarity, consistency or responsibility.

Moreover under our system of annual election any reform measure begun but not completed within the year must be thrashed out again with the incoming Council; so here again the tax on individual effort is heavy. The objection to a longer term than one year can be met by deciding important issues by referendum. In addition we have inherited the practice of burdening aldermanic committees with a mass of petty decisions which fritter away time and energy.

As a result many recoil; or there is a minimum of accomplishment until the flood comes and the dam breaks. In Toronto the dam is beginning to break. The per capita debt charge in Toronto in 1911 was \$4.51, in 1915, \$2.68. The per capita tax in 1911 was \$14.71, in 1915, \$24.84.

Attention may be drawn to an unfortunate weakness—with few exceptions really a national shortcoming. It is that our people are not confronted with the facts. The European practice of a municipal statistician might well be taken to heart by Toronto and other Canadian cities. As it is our main statistical information is not presented in well-digested form readily servicable to the press and intelligible to the public. The scramble of municipal candidates for facts and figures from various civic officials just before elections would be amusing if it were not tragic.

It may not be inappropriate to express regret that in their courses through the country our Governors General, Lieutenant-Governors and our other leaders do not commend municipal service to our men of affairs. Municipal work in Canada to-day offers each splendid scope for honorable achievement; while its trials of efficiency necessarily fashion and fix the standard for the larger arenas of Province and Dominion.

Whatever be the broader aspect Toronto with its many opportunities needs now a sound constructive policy, for finance and local improvements, for transportation, for charity organization and social work and for publicity. To this end the willingness and varied ability within the council offer possibilities for successful results provided there is practical and determined co-operation.

TO THE RATEPAYERS OF THE
CITY OF TORONTO

Need of Reform in Our Local Improvement System

OPEN LETTER No. 1

S. MORLEY WICKETT

THE UNIVERSITY OF CHICAGO

LIBRARY OF THE UNIVERSITY OF CHICAGO

1000 North Dearborn Avenue

Chicago, Illinois 60607

Telephone: 777-3000

Telex: 250000

UNIVERSITY OF CHICAGO

Need of Reform in Our Local Improvement System

It must be evident to every citizen who has followed the course of civic affairs that the time has come for radical reform in our methods of operating our Local Improvement System.

Toronto has been so generous in its readiness to finance local improvement works that our local improvement obligations outstanding to-day are probably larger than those of any other city in the world.

OUR COMMITMENTS AND OUTLOOK.

Local Improvement Debt—December 31st, 1914.

	Gross Debt.	Sinking Funds.	Net Debt.
City's Share	\$3,680,022.97	\$1,146,118.00	\$2,533,904.97
Ratepayers' Share	9,719,939.08	4,965,588.90	4,754,350.18
Local improvement obligations not yet in form of Debentures, April 28, 1915	7,408,340.30	650,000.00 (approx.)	6,758,340.30
Local Improvement Work in hand for which funds have only been reported, April 28, 1915 (1)	2,283,853.53		2,283,853.53
Local Improvement Work passed by Council up to April 28th, for which funds have not been reported (since considerably increased by Council). (2).			
Estimated cost. (3)	5,304,199.69		5,304,199.69

Estimate of Local Improvement Work remaining to be done within present City Limits, not considered by Council up to April 28th	\$16,535,437.24
Yonge Street Widening (temporarily suspended).	2,000,000.00
Grand total of net Local Improvement debt and all obligations entered into and future obligations, if ordinary locals are to be completed within present city limits.	<u>\$40,450,777.05</u>

(1) Details as follows:	
Sewers	\$781,589.00
Pavements	764,318.93
Gradings	561,385.00
Walks and Curbs	136,845.60
Widenings and Extensions	32,123.00
Lanes, Gradings and Pavements	7,577.00
	<u>\$2,283,853.53</u>

(3) Details as follows:	
Widenings and Extensions	\$2,693,852.00
Pavements	1,753,673.00
Sewers	896,273.00
Gradings	196,046.00
Walks and Curbs	165,188.69
Lanes—Grading and Pavements	99,167.00
	<u>\$5,304,199.69</u>

(2) Already during May the increase was \$2,105,076, which shows how rapidly we are going on with such work.

A great many additional locals will, of course, crop up from time to time in the form of street and other improvements. Poplar Plains Road widening, now in hand, is an example. Such improvements may run into very large sums.

Quite apart from what is in prospect the above financial commitments bulk very large and make it high time that the repeated observations of our treasury officials should have the fullest and frankest consideration. Because our local improvement policy in the past has been unfortunate in some of its financial results is no reason why mistakes should be continued in the future. One thing is clear—if we are to improve our financial situation we must improve our methods of financing locals.

CITY SHOULD NOT SHARE.

In the first place in respect of roads, sidewalks, curbings and lateral sewers, the practice should be abandoned of charging up to the City-at-large the cost of street intersections and parts of flankages on corners. These mount up frequently to twenty-five or more per cent. of the whole. In abandoning this practice we would be adopting the wise policy followed in many American cities, Buffalo, for example. This was the practice in the town of Parkdale prior to its annexation to Toronto. It will be recalled that when Parkdale was annexed to Toronto this City credited back to Parkdale locals some \$88,000 to bring that municipality in line with the more generous local improvement policy of the City of Toronto. If what we may call the Parkdale or Buffalo policy were now adopted for Toronto the present City's share would simply be distributed in each case over the whole work.

It is worth noting that there is a large amount of exempt property in this City which is liable for locals. Notwithstanding the fact that these properties pay no general taxes the City contributes one-fourth or more of the cost of their locals.

SHORTER TERMS OF PAYMENT.

In the second place the terms over which payments for locals are spread should be shortened. Down to the end of the real estate boom in the eighties and early nineties we paid for cedar block pavements in ten years and for street openings, etc., in twenty years. Since then as regards roads we have used better materials but still with a life time of not more than ten years, and kept the same ten year period for payment; and as regards street openings we have, in many instances, issued ten year in place of twenty year debentures.

As the next step it would seem to be good policy to make small items (say up to \$5,000 for a given work) immediately payable and collectable with the next taxes, which means practically payment in one to two years. Other ordinary locals should run for three and five year periods, not more, in place of ten. Extensive undertakings calling for special treatment should be scanned very closely.

The reasons are obvious enough. Long period payments are usually unnecessary; embarrass the city's financing; encourage extravagance; and play unduly into the hands of the land promotor.

ARBITRATIONS SHOULD BE SPEEDED UP

A serious handicap to economical street improvement is the delay in connection with arbitrations. The land arbitrations in connection with the Queen Street East Bridge

(Railway Board's order passed July 3rd, 1909, and the bridge was under construction in 1910) are not yet closed. Similarly the St. Clair Avenue widening has been under way for three years and the arbitrations are not yet completed. True the rates for St. Clair widening are being levied this year but only by reason of an estimate being made of the outstanding arbitrations, as in the ordinary course of affairs no local improvement rates can be levied until the final awards are made and final costs tabulated. Thus the city is compelled to make and carry for a long term heavy advance payments, while the property owners are later on charged up with long interest charges.

The other day (middle of May) the City's open advances on local improvements totalled \$8,100,000. In other words, in order to carry out the construction of the locals now in hand under our existing system we have had to borrow this enormous sum and risk jeopardizing our whole city financing.

As regards accumulated interest charges by reason of prolonged arbitrations one instance may suffice. Danforth Avenue widening with a cost of \$340,471.95 had back interest charges of \$28,173.35, and the citizens along this route had to pay this extra sum of money.

As the delay in closing an account for a given street opening may cover several years (three years for example, for St. Clair widening) holders of land may sell and re-sell their improved land free of local improvement taxes within this period, which enables the original holders of the properties to get out on very favored terms. Human nature being what it is, should not these improved lands be subject to local taxes running back to the date of the passing of the By-law?

SAFEGUARDS IN CONNECTION WITH STREET WIDENINGS.

Considerable criticism has been made against the Council harkening to the importunities of interested deputations and saddling the City with a high percentage of the cost of street widenings, although the increase in values resulting from same may be several times the cost.

For example, St. Clair Avenue widening was, in November, 1910, estimated to cost \$373,612, the actual cost will be about \$700,000 due to enhanced land values. Yet the local properties besides getting these large damages will contribute only twenty-five per cent. of the total cost. Duplex Avenue extension, which will greatly benefit the local properties is estimated to cost \$355,000, of which the locality will bear only 32.63 per cent.; Mount Pleasant Road, estimated to cost \$375,000, leaves the local ratepayers paying 44.15 per cent.; Yonge Street widening, estimated to cost \$2,000,000, with ratepayers' share 25 per cent.; Terauley Street extension, estimated at \$1,250,000, with ratepayers contributing 47.96 per cent.; Kingston Road from Queen Street to East City limits, estimated to cost \$215,000, with ratepayers to pay one-half; Danforth Avenue widening, which largely remade values on that thoroughfare, cost \$340,471.95, with the ratepayers paying only 25 per cent.

These varying percentages suggest that the local property owner is often unduly benefitted at the expense of the general taxpayer. Possibly it might be advisable to require in place of a majority, a two-third's vote of Council to increase the city's share in any street opening or widening beyond, say, twenty-five per cent. If this were done it would probably meet the point made by Controller Spence, viz., that the uncontrolled power of Council under the Local Improvement Act permits it greatly to increase the City's debt at any time without reference to a vote of the people.

NEGLECT TO APPLY THE LOCAL IMPROVEMENT PRINCIPLE.

Again, Council now and then fails to apply the local improvement principle, where on grounds of equity it should. For example, the voting of the Bloor-Danforth viaduct, estimated to cost \$2,500,000, at once accounted for a remarkable increase in values east of the Don within a wide radius, yet the City is bearing the entire cost. Had the City in this case proceeded in a businesslike way it should first have annexed the Todmorden section and then levied 75 per cent. of the cost of the viaduct as a local on the district directly benefitted, as was suggested by the Assessment Commissioner. It may be recalled that the City contributed only one-half of the cost of the South Rosedale bridges.

LOCALS SHOULD NOW PROCEED SYSTEMATICALLY.

It is notorious that the present unintelligent system of proceeding with local improvement works, practically on petition, has led to locals being laid down where there is, as yet, very little or no population at all, while other districts in which there is a considerable population are neglected.

As noted above, the Council has now passed upwards of \$10,000,000 of locals, much of which cannot possibly be gone on with for some time. Surely the time has arrived when all these decisions of Council should be revoked and locals be proceeded with systematically, as local needs dictate and financial conditions warrant. Such a policy would at the same time result in considerable saving in contract prices.

LOCALS AND RECENT ANNEXATIONS.

The proposal which I had the honor of making two years ago, that all future annexations to the City should be carried through only on condition that the annexed districts be wholly liable for their own ordinary locals, has been adopted by Council. But the wording of the formal resolution subsequently passed in connection with the various proposed annexations, and which I objected to at the time, is unfortunate, and the Ontario Railway and Municipal Board has hesitated to put these conditions thus drawn up by the City, into force.

Part of the City's conditions read as follows: (1) That, notwithstanding the provisions of the Local Improvement Act, no part of the cost of any local improvement to be formed within the area annexed shall be assumed or borne by the municipality at large, but the entire cost thereof shall be assessed against the lands benefitted thereby; (2) That all other provisions of the Local Improvement Act shall apply to the execution of such work; (3) That the entire cost of all other improvements within the said area shall be borne by the said land, and no part thereof shall be paid by the municipality at large.

Such liability is altogether too indefinite to ask the Railway Board to pass. However, if the policy is now adopted of the City in future declining to bear any cost for ordinary locals, such agreements with newly annexed districts would be unnecessary.

TOWN PLANNING AS A HELP.

As regards town planning the Council for some years has apparently been loath to open up the subject. Yet a detailed study of our streets and street plans could not but save large sums now spent each year on street openings and widenings after land values have

soared and buildings been erected, on tearing up of sidewalks laid next the curb, rounding of corners, etc. A town plan would admit also of a classification of streets with appropriate width of roads and sidewalks. The present instructions of Council are, that where possible no roadways shall be laid less than 28 feet wide, and no sidewalks less than 5 feet; which means an unnecessarily heavy burden on low-priced property on minor streets where an 18-foot roadway and a 3½ or 4-foot sidewalk would be ample.

All these extra charges mount up and make our city life unduly expensive and conditions unsatisfactory for economical industry, which after all is the real basis of civic development. Moreover, having in mind the not distant future when radial transportation should be greatly improved and city land values correspondingly affected more careful consideration of these capital charges is advisable if the interests of the ratepayers are to be protected.

BOARD OF CONTROL SHOULD ACT.

Since this memorandum was under way the Board of Control has asked for certain information with regard to our local improvements. It is to be hoped that the Board will shortly bring forward a series of recommendations covering the reforms so urgently necessary in connection with the whole system.

Should the City in future be freed from any share in ordinary locals, a slight financial adjustment on tax bills could easily be made, which would bring about practical uniformity throughout the City.

To sum up:

- (1) Benefitted property for ordinary locals should carry its own burden;
- (2) Periods of payment should be shortened;
- (3) Arbitration proceedings expedited;
- (4) The whole scheme of locals systematized, and
- (5) The general taxpayers' share in larger undertakings receive better protection.

Toronto, June 1, 1915.

**To T. L. Church, Esq., Mayor and Chairman of Board of Control,
Members of Board of Control and City Council**

AND

Ratepayers of the City of Toronto

ON THE NEED OF FINANCIAL REFORM

OPEN LETTER NO. 2

**THE CITY OF TORONTO IS A GREAT BUSINESS ENTERPRISE. A
HALF MILLION OF PEOPLE DEPEND FOR MUCH OF THEIR COMFORT
AND WELL BEING ON ITS ACTIVITIES. IT OWNS LANDS AND
BUILDINGS DEVOTED TO MUNICIPAL PURPOSES, VALUED AT
\$41,000,000, AND ADMINISTERS OTHER ASSETS WORTH A FURTHER
\$60,000,000. IN ADDITION THERE ARE ITS VALUABLE FRANCHISES.
FROM THE POINT OF VIEW OF DOLLARS AND CENTS ITS OPERA-
TIONS ARE ABOUT ONE-FOURTH LARGER THAN THOSE OF THE
PROVINCE OF ONTARIO ITSELF, FOR ITS BUDGET SHOWS OVER
\$16,000,000 OF CURRENT REVENUE. THE CITY IN FACT MAKES AS
GREAT A SHOWING AS MANY A SMALL KINGDOM OF A COUPLE OF
GENERATIONS AGO.**

S. MORLEY WICKETT

On the Need of Financial Reform

A TIME TO TAKE STOCK.

Toronto's future has exceptional promise, but from time to time it is well to take stock. Thus far, Toronto's financial policy has been publicly reviewed only once, and that very briefly, namely, two years ago by the Bureau of Municipal Research. The present war makes a second review especially opportune, for this year we are facing enlarged expenditures, reduced revenues, and a lower tax-paying ability on the part of many citizens. This is my reason for presenting to my fellow councillors and ratepayers some conclusions that I have reached after three years' service in the City Council.

COSTLY ERRORS.

For many years the ratepayers have generously shouldered heavy obligations, even for half-baked projects, a number of which, if truth were spoken, have proven to be costly errors. Here are some of them:—

To run our main drainage solely to the East is an acknowledged mistake. Financial results of this misjudgment cannot, of course, be forecasted.

The main sewage disposal plant at Morley Avenue will have to be replaced. It is estimated that it will require an expenditure of between five and six million dollars to install a satisfactory system.

Because of the presence of clay in the water during the stormy season, the million dollar slow-sand water filter system is a mistake and seriously impairs our filtration scheme.

The building of the two and a half million dollar Bloor-Danforth Viaduct at the same expense of the City was wrong.

Planless piece-meal annexations have been unnecessarily costly.

Hesitating and tardy sales of City debentures have led through the down-turn of the money markets during the past two or three years to unnecessary losses totalling over a million dollars. The lesson has not been learned; in spite of advice given in good time the same costly misjudgment has been made in 1915. The failure to market last spring debentures required for 1915-16 spells a heavy loss—how heavy the future alone can show.

TORONTO'S DEBT LIMIT.

Our borrowing limit is fixed by the special Act of 1889 in the following manner:—

12½% of the first \$100,000,000 of assessment of "rateable property"	\$12,500,000
8% on balance of assessment (now \$465,132,579)	37,210,606
Present borrowing limit	\$49,710,606

The official view, which is open to criticism but which for the present purposes we accept, is that the assessment of "rateable property" includes not only land and buildings, but income and business assessment.

The position is also taken that as regards liabilities, in relation to borrowing limit, only those are to be counted which are authorized by by-law.

THE CITY'S SHARE OF THE LOCAL IMPROVEMENT DEBT.

A point sometimes raised is whether the city's share, like the ratepayers' share, of the Local Improvement debt should be omitted when figuring up the borrowing limit. Now, the city's share is a straight city debt and cannot legally be assessed as a local against benefited property. There is, therefore, no reasonable doubt that it must be reckoned, as it is by the City Treasurer, as part and parcel of the general city debt, in spite of any loose wording in the Act. (The city's share amounts to about \$3,700,000).

Legal opinion on the point is admittedly divided. But this alone is sufficient reason why it is quite impossible to follow any but the safe course and include the city's share of the Local Improvement debt when figuring up our borrowing limit. To do otherwise would only court disaster, as tenders for debentures would not be submitted as long as there was a shadow of a doubt as to the legality of the issue.

HOW FAR SHOULD DEFICITS BE ALLOWED?

There is a curious disposition to assume that a municipality should be permitted to borrow more or less indefinitely for any purpose yielding a revenue but be strictly limited in respect of non-revenue producing loans. Yet a so-called revenue-producer may be, or may become, actually a financial drain. The question might indeed be raised, **what limits should be placed on a municipality operating enterprises at a loss, and meeting the deficits out of the general taxes?** Most of our own enterprises are being run with heavy losses.

It is very easy to excuse deficits on the ground that the work is "in the public interest;" all the more reason for close counting of every leak.

TORONTO'S DEBT AND DEBT LIMIT, SEPTEMBER 3, 1915.

Gross Debt (all covered by by-laws, including unsold debentures)	\$92,901,677.00
Exempted in respect of borrowing limit:—	
Water Works	\$19,198,605.00
Civic Car Lines	2,082,737.00
Electric System	6,650,000.00
Toronto Railway	3,138,010.00
Ratepayers' share Local Improvement Debt..	11,414,308.00
	\$42,483,660.00
Debt Exclusive of Exemptions.....	\$50,118,017.00
Limit of Borrowing Power	49,710,606.00
Excess over Legal Limit.....	\$407,411.00

THE IMMEDIATE FUTURE.

The increase in assessment for 1916 over 1915 is estimated at \$24,000,000, which means an additional borrowing power for the city of \$1,900,000. This, however, is already considerably more than absorbed by commitments covered by war votes, city's share of loans, including Mount Pleasant Road and miscellaneous undertakings. According to by-laws already passed, the excess beyond our borrowing limit therefore stands now at more than a quarter of a million. If the widening of Teraulay Street and Yonge Street is gone on with this excess will be again increased by upwards of a million and a half.

Against our gross debt there are on hand about fifteen millions of sinking funds; thirty-one millions, more or less productively invested; and twelve millions of ratepayers' share of local improvements. There are (September 1), upwards of twelve millions of debentures unsold.

TORONTO'S DEBT COMPARED.

The net debt is surprisingly larger than the average for comparable cities of the United States, including cities of equally rapid growth, such as Los Angeles. According to the United States census report only New York, Philadelphia and Boston have larger net debts than Toronto.

INDIRECT DEBT.

Debentures guaranteed by Toronto:—

	Total authorised	Total issued
Harbor Commission	\$5,000,000	\$2,500,000
Toronto Housing Co.	850,000	150,000
Municipal Loan Association	250,000	40,000
Industrial Schools	70,000	70,000
	\$6,170,000	\$2,760,000

COMING EXPENDITURES, 1915-1921.

During the next few years the ratepayers' share of local improvement expenditures may readily amount to from ten to fifteen million dollars. Leaving this out of account and having regard to expenditures that would seem probable under ordinary conditions, down to 1921, when the Toronto Railway franchise expires, a conservative estimate of the city's outlay would total approximately as follows:—

ESTIMATE OF PROBABLE CIVIC EXPENDITURE, 1915-1921.

Revenue Producing.		Non-Revenue Producing.	
Hydro Electric	\$ 4,000,000	Railway Grade Separation (West & North Toronto)	\$ 800,000
Civic Street Railway	500,000	Railway Viaduct	3,000,000
Radials (say)	1,000,000	Harbor Board	1,615,000
Toronto Railway Roadbed	2,000,000	Schools	4,000,000
Toronto Railway Purchase (say)	13,000,000	Civic Buildings	1,500,000
		Parks (the legislative one mill would mean over three million dollars), say	1,000,000
		Miscellaneous	500,000
		City's share, North Toronto sewage and disposal works.....	1,500,000
		Main sewage disposal.....	5,000,000
		City's share, other locals.....	5,000,000
Total Revenue Producing....		Total Non-Revenue Producing \$23,915,000	
\$21,500,000			

This makes a total of probable expenditures between now and the end of 1921 of no less than \$45,400,000, not including ten to fifteen millions of ratepayers' share of locals.

As against this huge possible outlay it is unfortunate that during this period very few general debentures mature, viz., \$8,953,895.

OUR FINANCIAL PROBLEM

To sum up:—

It is evident that the city's borrowing powers are more than exhausted. During the next six years \$8,953,895 of general debt matures, while fresh expenditures are in reasonable prospect amounting to forty-five millions, one-half of which is non-revenue producing. This would result in a net increase in our non-revenue producing debt of nineteen million dollars. Certain works, of course, need not, and apparently will not, be gone on with.

All this means, if it means anything, that Toronto must face the problem of either calling a halt in her development or radically changing her financial policy. Without wasting words, the problem is one of considerable magnitude, and demands our earnest consideration.

The industrial outlook for Canada and the United States after the war would seem to be favorable. For this reason one may expect any falling off in the city's assessment to be recovered more quickly than after the depression of 1893, when it took over ten years for the city's assessment to reach its former level. At the same time one must note that since 1910 our population has only increased a third, while our assessment (1916) has doubled. This is a hint, that for some time our maximum assessment has been reached. Moreover, while the assessment has increased so enormously (four hundred and seventeen millions, or nearly three hundred per cent. in ten years), the tax rate has not decreased, and this year has considerably increased apart from the war tax.

One might add that our Treasury Board (the Board of Control in secret session) has yet to learn the value of absolute frankness and publicity. **There must be publicity if we are to have a body of informed public opinion.** A policy of publicity would help the city locally and in the financial markets. For although there are big problems to face during the next few years, apart from a number of serious errors in judgment, Toronto has nothing to hide.

In any event, it is probable that the Legislature will have to be petitioned to increase temporarily our borrowing powers. Whatever is done must be done frankly and in a manner worthy of the city's high financial position. **Meanwhile there must be greater foresight, rigid economy, an end to juggling with the tax rate, and a realization of the danger in creating debts.**

Toronto, September, 1915.

S. MORLEY WICKETT.

The second part of this letter will follow in a few days and suggest some possible reforms in our financial practices.

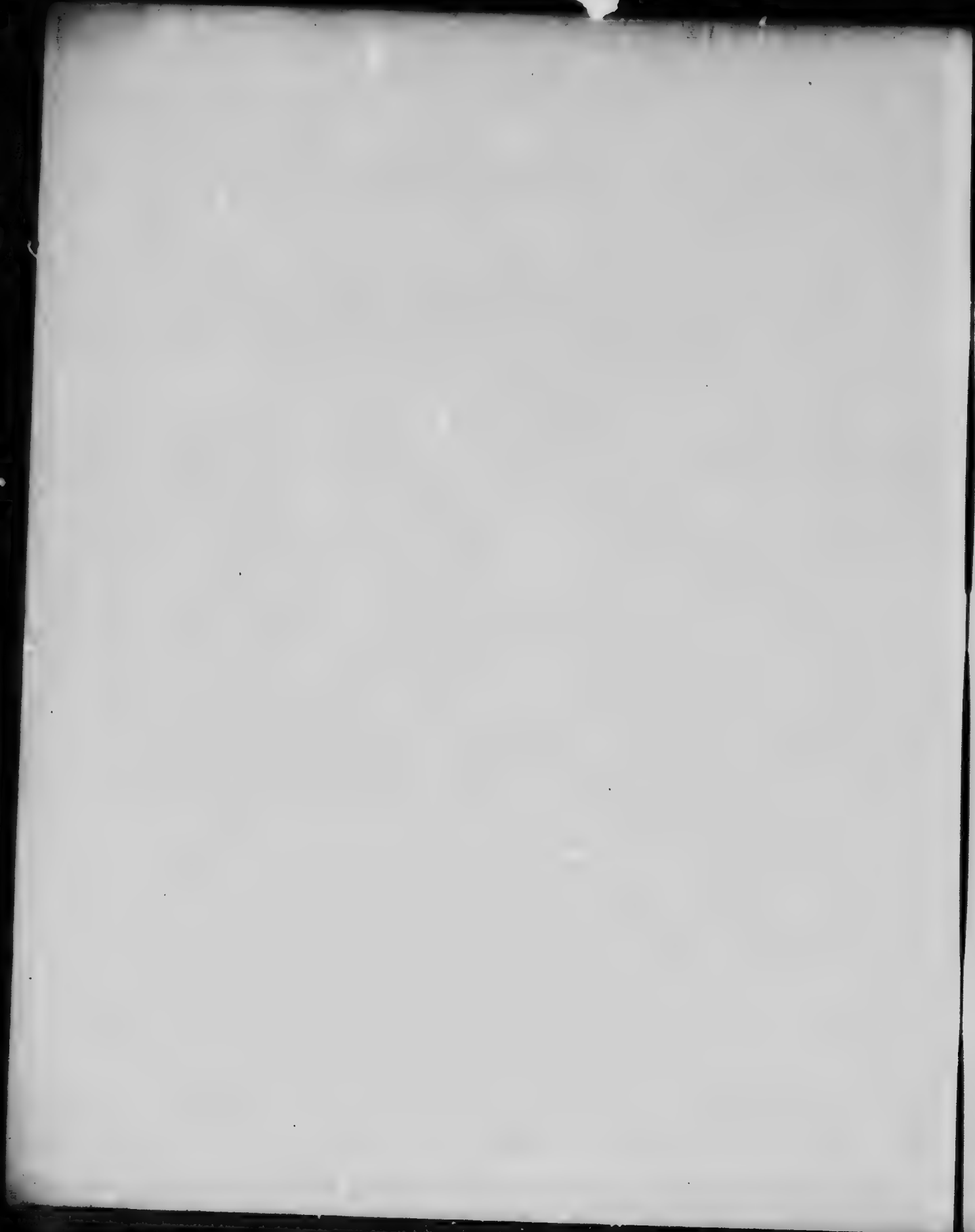
To T. L. Church, Esq., Mayor and Chairman of Board of Control,
Members of Board of Control and City Council
AND
Ratepayers of the City of Toronto
ON THE NEED OF FINANCIAL REFORM

Continued

OPEN LETTER NO. 3

TORONTO IS IN MANY RESPECTS THE FIRST CITY OF CANADA. IF ITS GOVERNMENT IS ALLOWED TO REMAIN AMATEURISH, EXTRAVAGANT AND DISAPPOINTING, THE STANDARD OF CITY GOVERNMENT THROUGHOUT ALBERTA WILL BE ADVERSELY AFFECTED. IF WE ARE TO SUCCEED IN MAKING IT STRONG AND EFFICIENT, THIS GREAT CITY MUST WAKE UP AND SAY NO! APATHY ON THE OUTSIDE IS OFTEN AS COSTLY AS CORRUPTION ON THE INSIDE.

S. MORLEY WICKETT



On the Need of Financial Reform

Continued

CATCH-UP VOTE POLICY OF KEEP-DOWN-THE-TAX-RATE

Had an honest tax rate been struck during the past dozen years, the present period of depression would have been passed and our oncoming obligations provided for with comparative ease. By an honest tax rate is meant, as the Municipal Act stipulates, a rate that defrays current expenditure and leaves to debentures only such items as are fairly chargeable to capital account. But our financial history discloses a constant effort to squeeze down the tax rate and to postpone the day of reckoning.

Here are some illustrations:—

1. When the city's debt was consolidated in 1889, a large part of it was re-issued on a lower interest rate for forty years. There are, of course, accumulating sinking funds against these, but apart from such it means that most of our water debentures, even those running back into the seventies, are still outstanding.

2. The profits made from tax-sale lands (lands taken over by the city in lieu of taxes, held for a period and sold) have regularly been absorbed as ordinary current revenue, instead of being treated as the basis for refunding operations, or as a protection against uncollected taxes in lean years. The amounts absorbed during the last two years, for example, were \$230,871 and \$331,046.

3. The gross revenue of about \$1,000,000 from the Toronto Railway Company has been similarly appropriated, and large sums paid out for roadway repair and re-construction, amounting to several hundred thousand dollars yearly, have been met by debentures. These debentures with current commitments amount to over four millions.

4. Revenue from the Industrial Exhibition or from twenty to seventy or more thousand dollars yearly has been absorbed as current revenue and debentures issued to pay for improvements on the grounds.

5. Many other items which ought to have been paid for out of current revenue have been paid off by the same method. A few years ago the Fire Brigade was equipped with engines and other items down to rubber boots, all paid for by forty year debentures. A great deal of the equipment of the Hydro-Electric System was paid for in the same way; and at the present moment the same method is recommended for paying for the equipment of the Technical School, although in this case such action would be actually illegal. (Industrial Education Act, 1913, sec. 12).

6. Unduly long term bonds have been used. The longer the bonds, the smaller the annual provision for sinking fund; civic book-keeping is also somewhat simplified and routine work lessened with long term debentures. Yet when the question has been once raised, no one seemingly cares to openly defend the practice, or on the other hand, to discontinue it.

7. The above method failing to cover the annual expenditure, large balances have been carried forward as deficits met by bank overdrafts, as follows:—

1911	\$155,237
1912	432,977
1913	446,936
1914	93,785

On account of over-estimating revenue from Toronto Railway, Civic Railway, etc., there is in sight already a substantial deficit for 1915. It is to be noted, too, that the city is paying for its relief work and war grants, small and large, both for last year and this, by debenture.

POLICY REQUIRED OF "AN HONEST TAX RATE."

The above practices cannot be longer tolerated. The Statutory stipulation that the annual tax rate shall be sufficient to cover the year's current outlay must be lived up to. **Toronto needs a policy of "An Honest Tax Rate."**

WHERE IS THE PROVINCE?

In respect of municipal control, the Province itself should be more on guard, and require the full observance of the provisions of the Municipal Act. Indeed, it would be a decided step forward if the Provincial Government would take a leaf from English practice and reproduce in this Province, as far as practicable, the English Local Government Board, whose influence has been most helpful for sound municipal development. This would mean the recasting of our present Railway and Municipal Board.

A DEBENTURE POLICY NEEDED.

There is widespread agreement among municipal financiers that in view of the many and heavy municipal obligations being contracted continually in the New World, it is advisable to keep to short-date bonds as far as possible. The shorter the term, the greater spur to economy, because the results of civic financing would then be more apparent.

It is reasonable to assume that the lifetime of a debenture should not exceed the lifetime of the work. Small structures should be paid for either in cash or by debentures up to fifteen years; monumental structures in from twenty to thirty years; substantial land improvements in from thirty to forty years.

Serial Bonds.—Many American cities, under the leadership of New York, Boston, Philadelphia and Chicago, have resorted to Serial Bonds, under which interest and capital are paid back together each year in equal instalments. Thus a ten year serial bond for \$10,000 would be paid for in ten instalments of one thousand dollars, with interest to date. Serial Bonds do away with the necessity of accumulating and administering sinking funds, on which moreover there is usually a heavy loss in interest. Incidentally they make a somewhat heavier annual charge and for this reason are a spur to economy. Moreover, they seem to be popular. In that for some time we may look to the United States market for funds, this form of obligation should be carefully considered.

HONORARY SINKING FUND COMMISSION ADVISABLE.

Since 1889 our sinking funds have been sufficient to meet outstanding debentures. But quite apart from any such question, simply as one item in a civic policy to impress the investing public, and secure for Toronto the highest credit in the open market, the establishment of an unsalaried Civic Sinking Fund Commission seems advisable. Such a Commission might consist of the City Treasurer, the Vice-Chairman of the Board of Control, and a private citizen.

This is not to suggest that the funds should be treated differently to what they now are (although various opinions are held on this point), but merely as a wise move to take the investing public into full confidence as to the sinking fund administration, and to make it clear that the fund is being administered strictly as a trust.

Such organization would also clear up the status of our sinking fund, which is important. It should never happen again that debentures can be taken by the sinking fund, held for a number of years, and then sold at a loss, the loss being charged, not to the sinking fund, but to the original enterprise, from which the securities were transferred. This was what happened recently in connection with a large block of Hydro-Electric bonds.

Again the Hydro-Electric is using \$420,694 (principal and interest) of sinking fund money as working capital. Such a violation of the fundamental principles of sinking fund administration is of course inexcusable. With a definite organization of the sinking fund administration as a trust, any such errors would be made practically impossible, and the whole fund placed on a better basis.

ACCOUNTING AND PUBLICITY REFORM BEING DELAYED.

With better publicity many of these practices would probably have aroused opposition ere this. During the past couple of years a good deal of progress has been made toward better municipal accounting. In the past we have had only one common pot, into which all revenues were poured. The aim now is so to classify accounts (and reports) as to give the public knowledge of the actual situation of each municipal service. Early this year the Treasurer, Auditor, and Commissioner of Works, submitted to the Board of Control excellent recommendations. Strange to say these have not been even yet seriously considered. Curiously also the Treasury Department is installing a new unit system of accounts, although the classification has never been submitted to Council and the public for their information and approval.

When we finally get the improved classification, the basis will have been laid for a more intelligent preparation and presentation of the City's Budget. At present our budget statements do not present the figures comparatively. Revenues and expenditures for periods of years are not shown and accordingly both Council and ratepayers are kept ill informed.

Right accounting is necessary also to tell the public how their officials are doing. By not bringing to the public eye results of official efforts, there is less incentive towards that efficiency on which our whole fabric of government depends. In the meantime, this important reform is left sitting on the door step of the Board of Control.

BUDGET IN NOVEMBER—TAX RATE IN JANUARY.

To-day the city's budget is presented annually about May, when a great deal of the year's work has already been planned for and a great deal of money already expended in anticipation of the final grant being made. The budget should rather be presented and provisionally considered in advance of the work and also at a time when the public has its attention more particularly directed towards civic affairs, which is in the Autumn.

Moreover, in the Spring, usually about one-third of the Council are new men, and their views cannot be as helpful as they would be after a season's service in the Council. Again with civic revenues estimated, not by the Board of Control, but by the City Treasurer, as is recommended, and with the Provincial Government insisting on the observance of the Municipal Act as to overdrafts, the public would be more likely to get a run for its money.

ARBITRATION AND ASSESSMENT VALUES.

A costly obstacle to many civic undertakings is the difficulty met with in expropriating lands and buildings. Should we not be empowered to relate the price for expropriated property to its assessed value? This is being tried out to-day in a voluntary way in Philadelphia. Assessed value is the Assessor's sworn judgment of the market value. If a property owner consents to an assessment below the market value, he is a party to a fraud. Some compensation should be undoubtedly given for the inconvenience of expropriation and the suggestion has been made that a working arrangement be legally recognized that for municipal purposes real property might be expropriated on the basis of assessment plus twenty-five per cent.

Incidental damages open up another question and leave wide room for differences of opinion; but of late years the situation has become so serious that the whole matter should be carefully considered. It may be that public opinion is not sufficiently aroused as to the epidemic of extravagant claims for damages made on the City Treasury; it may be that the machinery for arbitration is defective. It does seem strange, however, that final arbitration costs are usually so far in excess of any previous forecast. For example, the land damages in connection with the Queen Street high level bridge were estimated at only \$43,500. Up to the end of June we had already paid out \$347,362.16, with outstanding obligations estimated not to exceed a further \$6,000. To proceed with work before such values are determined, leaves the city exposed to unforeseen liabilities. With a definite basis as suggested for determining the cost of land and buildings, it would seem as if it should be possible to proceed with civic undertakings with due regard for the interests of everybody concerned.

A CITY-PLAN A DIVIDEND PAYER.

Certainly if the city acted as one would expect any intelligent private establishment to, and worked out a city-plan, large sums spent on street openings, extensions, widenings, etc., after property had been built on and values advanced, would be saved. With a city-plan in existence it would hardly have been possible to close Queen Street at Sunnyside for two years and then after suit for damages was entered, to proceed hurriedly with opening it into High Park. With a city-plan it would hardly have been possible to leave to the costly future

the opening up of a through street line between West Toronto and the C. P. R. Station at North Toronto. With a city-plan it would again hardly have been possible to have refused in 1903 a block of land, 113 x 96 feet, opposite the City Hall, running to Bay Street, at a price of \$79,100, and in 1915 for just enough land from the same block to round the corner to pay \$53,000. We have not even decided on a standard height for our subways, which to-day run all the way from 14 to 18 feet.

The Chicago City-Plan Commission devoted its first year and a couple of hundred thousand dollars merely to the task of educating the people as to the importance of its work. As a result it can now go ahead and save this initial expenditure several times over.

A city-plan for Toronto would readily mean to the taxpayers during the next decade or so a saving of many hundreds of thousands of dollars; it would besides help vastly to make Toronto that beautiful city for which nature has marked it out.

OTHER ITEMS CALLING FOR REFORM.

These are some of the outstanding matters affecting the financial life of the city. There are others only less important calling for:—

- (a) An improved system governing the introduction of money votes in Council, that is, measures calling for the expenditure of funds.
- (b) Reconsideration of the wisdom of maintaining a fixed interest rate for city debentures, and selling debentures below par.
- (c) Making the city's assessment and finance departments revenue producing by charging, as does the Works Department, over-head expenses for work done by these departments.
- (d) Means for increasing the city's revenues.
- (e) The city at present is not allowed to guarantee its local improvement work. It and private contractors should at least be placed on an equal footing.
- (f) An improved form of annual financial report with a view to informing the public.

FINANCE IS OUR MASTER PROBLEM AND TO SUM UP, TORONTO NEEDS

- (1) Greater financial publicity.
- (2) A policy of an honest tax rate, pay-as-you-go in respect of current obligations.
- (3) A policy covering the disposal of extraordinary revenue items, such as proceeds from tax-sale lands and from the Toronto Street Railway.
- (4) Appointment of a strong debenture man; a policy as to items to be met by debentures; a policy to bring the lifetime of debentures more in keeping with the lifetime of the work; reconsideration of the policy of a fixed interest rate for city debentures; a decision as to the use of Serial Bonds.
- (5) An Honorary Sinking Fund Commission.
- (6) Accounting reform as officially recommended last Spring.
- (7) Improved methods for expropriations.
- (8) More satisfactory form and date for the City Budget.
- (9) Reform of our Local Improvement System as outlined in Open Letter No. 1.
- (10) And it may be added apart from reference to those at present in office, there is particular need for a Mayor and Board of Control with financial knowledge, initiative and leadership, pledged to a definite line of fiscal reform.

AN OUTSIDE REPORT ADVISABLE.

ONE ALMOST DESPAIRS OF SECURING SUCH IMPORTANT REFORMS AS HERE PROPOSED UNDER OUR PRESENT SYSTEM. CONDITIONS PRESS FOR ACTION AND COUNCIL HAS ITS TIME TOO OCCUPIED WITH DETAILS. IN THE CITY'S INTEREST, THE BOARD OF CONTROL SHOULD INVITE AN HONORARY COMMITTEE OF SOME OF TORONTO'S LEADING FINANCIERS TO CONSIDER THE WHOLE SUBJECT AND SUBMIT ITS FINDINGS.